

Message Text

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PAGE 01 BOGOTA 05512 122032Z
ACTION XMB-04

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PASS EX-IM FOR SIMONINI

E.O. 11652: N/A
TAGS: BEXP, EFIN, CO
SUBJ: DESCRIPTION OF COLOMBIAN NATIONAL RAILWAY SYSTEM

REF: PASTORINO/SIMONINI TELCON OF JUNE 7

1. COLOMBIA NATIONAL RAILWAY COMPANY (FFCC) BECAME STATE MONOPOLY ENTERPRISE IN 1970 ALTHOUGH FIRST RAILWAY FIRM ESTABLISHED IN 1835. FFCC HAS 3403 KILOMETERS OF TRACK DIVIDED INTO FIVE DIVISIONS; CENTRAL (1354 KILOMETERS), PACIFIC (889 KMS), SANTANDER (400 KMS), MAGDALENA (420 KMS) AND ANTIOQUIA (340 KMS). OF THIS TOTAL 2900 KMS NOW IN USE ALL LINES ARE NARROW GAUGE, SINGLE-TRACK. THERE ARE SERIOUS PHYSICAL GAPS IN NETWORK AND SEVERAL IMPORTANT ECONOMIC AREAS LACK SERVICE. ROLLING STOCK REPORTEDLY OLD, BADLY MAINTAINED AND INEFFICIENT.

2. LATEST FIGURES INDICATE THAT FFCC CARRIED 4 MILLION PASSENGERS IN 1976 (510 MILLION PASSENGER-KILOMETERS), UP FROM 2.1 MILLION IN 1970 (236 MILLION PASSENGER-KILOMETERS). FIRM CARRIED 2.4 MILLION TONS OF CARGO IN 1976 (1.1 BILLION TON-KILOMETERS) DOWN FROM 2.7 MILLION TONS IN 1973 (1.3 BILLION TON-KILOMETERS).

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OF TOTAL 1976 CARGO, APPROXIMATELY ONE-THIRD WAS AGRICULTURAL GOODS AND ONE-THIRD WAS MANUFACTURED GOODS. ABOUT 15 PCT WAS PETROLEUM DERIVATIVES.

3. FINANCIAL SITUATION VERY POOR. INCOME COVERS ONLY 50 PCT OF OPERATING EXPENSES. ACCUMULATED LOSSES OVER 1955-1976 ABOVE US\$80 MILLION. CAPITAL OF FFCC

APPROXIMATELY US\$115 MILLION. LOSSES APPARENTLY DUE TO POOR CONDITION AND HIGH MAINTENANCE COST OF ROLLING STOCK AND TRACK, LABOR PROBLEMS, LARGE BUREAUCRACY, LOW FREIGHT RATES, AND STRONG COMPETITION FROM RIVER, BUS AND TRUCK TRANSPORT. MONTHLY OPERATING COSTS PER KILOMETER AVERAGE BETWEEN US\$1,000 IN CENTRAL DIVISION TO US\$2,500 IN ANTIOQUIA.

4. ACCORDING FFCC OFFICIALS MAJOR INVESTMENT PROJECTS AS FOLLOWS:

- A) APPROXIMATELY 75 KILOMETER STRETCH THROUGH CENTRAL ANDEAN RANGE CONNECTING ARMENIA AND IBAGUE. THIS INCLUDES 14 KILOMETER TUNNEL AND WOULD CONNECT BOGOTA DIRECTLY WITH CALI AND PORT OF BUENAVENTURA. ARMENIA-IBAGUE STRETCH NOW COVERED BY FFCC TRUCK SERVICE. PRE-FEASIBILITY STUDY HAS BEEN DONE.
 - B) CARARE PROJECT WHICH WOULD CONNECT COAL REGION OF BOYACA WITH MAGDALENA RIVER IN SANTANDER. COAL WOULD THEN BE CARRIED BY BOAT TO COLOMBIAN NORTH COAST PORTS FOR EXPORT TO US. FEASIBILITY STUDY EXISTS.
 - C) APPROXIMATELY 100 KILOMETER LINE CONNECTING IMPORTANT NORTH COAST CITIES OF BARRANQUILLA AND CARTAGENA.
 - D) REPAIRS ON SERIOUSLY DAMAGED 100 KILOMETER STRETCH BETWEEN ANTIOQUIA AND VALLE STATES.
- ON ABOVE, FFCC MAY BEGIN TO BUILD WIDER GUAGE WHICH WOULD FACILITATE PURCHASE OF EQUIPMENT. HOWEVER, ALL LIMITED OFFICIAL USE

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LARGE CONSTRUCTION PROJECTS NOW IN LIMBO AWAITING NEW ADMINISTRATION AND THIS COULD AFFECT FFCC PURCHASE DURING INTERIM.

5. FFCC OPERATIONS POLITICALLY CONTROVERSIAL IN COLOMBIA. FIRM IN OBVIOUS FINANCIAL STRAITS AND ACTUAL EQUIPMENT IN BAD SHAPE. REPORTS NOW APPEARING OF POSSIBLE SERIOUS EMBEZZLEMENT IN FIRM. EX-IM SHOULD STUDY VERY CLOSELY REQUEST FOR FINANCING AND SHOULD OBTAIN FULL FAITH CENTRAL GOVERNMENT GUARANTEE FOR ANY FINANCING.

6. WILL SEND MORE DETAILED INFORMATION BY POUCH.
DREXLER

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